



Nail Customer Service

HBSWK Pub. Date: Jan 10, 2005

When you do a good job of fixing a customer service problem, you often earn more customer loyalty than if there had been no problem. Jonathan Byrnes details how to show your worth and earn your customer's trust.

by Jonathan Byrnes

What do you do when you're waiting for a slow elevator?

A number of years ago, a company that had just built a major building realized their elevators were intolerably slow. What to do? It was too expensive to reengineer the elevators. After thinking about the problem for a while, mirrors were installed in the lobby and elevators. It turns out that people will tolerate a much longer wait if they can see themselves in a mirror.

Today, most tall buildings have mirrors or polished metal surfaces in their lobbies and elevators.

Disney World has a similar problem. The waiting lines for attractions are often very long, and children are impatient. So are adults. The customer service group at Disney studied this problem at great length, and made the field into a science. They now know exactly how long people will wait before they need to be distracted. Consequently, when you queue up for Pirates of the Caribbean or other top attractions, you are likely to be engaged at carefully predetermined intervals by wandering characters, videos, and mirrors. Also, lines are laid out in a serpentine manner, providing a feeling of constant progress.

Here's how one top hotel, which differentiates itself through its reputation for great service, handles customer service. Every employee is empowered to spend up to a few hundred dollars without approvals to rectify customer service errors. If laundry is late, it arrives with a bottle of wine.

In this way, the hotel turns lemons into lemonade. By the way, Southwest Airlines has a similar policy. The front-line employees are empowered to "bend the rules" to meet customer needs. It is no coincidence that Southwest is perceived as one of the leading airlines in customer service, even though it is a low-fare carrier.

When you do a good job of fixing a customer service problem, you often earn more customer loyalty than if there had been no problem. This is when you can show your worth, and earn your customer's trust.

What is customer service?

This raises a critical question: Exactly what is customer service? Nearly every company has numerous customer service measures, but how many of these really produce the right results?

Is customer service what the customer experiences? Not exactly. Customer service is what the customer perceives and remembers. The acid test of customer service is the customer's future behavior. If Disney World had managed to shorten its wait time by 20 percent, but had no distractions, customer service complaints would have gone through the roof.

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Consider the following customer service measure. A copier company has a policy that when a customer calls for repairs, a repair tech will arrive on the scene in two hours, 95 percent of the time. Sound good? Think about the following issues.

This policy treats all service calls the same. Some service calls are prompted by machine failure, while others may be caused by cosmetic issues, like a loose faceplate. The policy also treats all

customers and customer situations the same. One call might be for a non-functional machine that happens to be the only copier on the executive floor of a major account, while another call might be for one of the eight copiers in the company's administrative department.

Customers' negative perception of service is primarily formed by their worst experiences, not by the average. For example, even if the copier company fully met the policy above, the disappointed 5 percent would have far different reactions if the wait time were four days, rather than two hours, ten minutes. Moreover, the policy focuses on when a service tech arrives, not on when the problem is fixed.

This policy reflects the cardinal error of customer service: It measures what the copier company sees, not what the customer sees. It's an operational measure, not a customer measure.

Product reliability

Think about this one. The copier company develops a great quality process, and its copiers become very reliable. What's the impact on customer service?

The answer is counterintuitive. As the products become more reliable, the easy-to-fix problems go away. Those that remain are the most intractable ones, those that take the most time and are most difficult to fix. When customers focus on their bad experiences, they often perceive that customer service has degraded.

What can you do about this? Several things.

First, shape your customer's perception. Some companies issue report cards showing their actual service. In this context, the occasional problems are seen to be just that, occasional problems.

Second, get in front of the problem. Some companies have carefully analyzed the key points at which preventative maintenance makes a big difference. Others have designed machines with the capability for self-diagnosis. Some of these machines even have the capability to call for service, without human intervention, when they "sense" an impending problem.

Third, make the products easier to fix. Most often, the root problem behind lengthy repairs is lack of quick access to needed parts.

One copier company, for example, created what they called a "wall of washers." They saw that their product design engineers were specifying unique washers for each of their products. This caused huge problems in keeping local spare parts inventories, and resulted in big delays in repairs. To emphasize the point, one clever vice president had his staff collect every unique washer and paste them on a wall. There were over 1,000.

The vice president brought the product design engineers to see the wall of washers. As a result, the engineers quickly began to redesign products to have a maximum number of common parts. The impact on service intervals, the time between when a customer calls and when the machine is fixed, was striking. And, inventory costs dropped through the floor.

Product availability

Measuring customer service is a common problem in retail. Many stores have thousands of products, and it is costly and difficult to keep them all in stock. In addition, sometimes products are present in the store, but not in their proper place on the store shelf. What's the right measure?

The answer is more complicated than simply whether the shelf is empty. A lot depends on the customer's need.

For example, in many retail situations, customers come into the store with a generic need such as a tape measure, a plastic container, or an inexpensive television. For these situations, most stores carry two to four products that would fit the customer's need, and the customer is largely indifferent. In this context, if one product is missing from the shelf, the customer is still perfectly satisfied.

Therefore, in these cases, the proper measure is a "substitution group." For most retailers, over 60 percent of their sales engagements fit this customer behavior profile. Yet most retailers focus on product-specific availability measures of customer service, and this causes huge inventory costs. Of course, the retailer has to employ flexible shelf arrangements to maintain an attractive store appearance.

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The hospital industry presents another sort of customer service misunderstanding. In a typical hospital, the definition of an out-of-stock situation is one in which at least one ward and the stockroom both run out of a particular product. Yet the hospital may have a large amount of the product scattered on other wards. The problem is lack of a mechanism to locate the product once it leaves the stockroom.

This creates an important opportunity for a supplier to install a vendor-managed inventory system that includes both stockroom and wards. (See [Profit from Customer Operating Partnerships](#).) Here, the vendor gains great efficiencies from reducing safety stock by cross-sourcing from ward to ward. In fact, this is one of the major hidden benefits of vendor-managed inventory. By the way, most factories have the same situation with their work-in-process inventories.

Effective customer service

In two earlier columns, I wrote about other important aspects of customer service.

Take another look at [The Dilemma of Customer Service](#). I explained how customer service differentiation is the key to getting out of the vicious cycle of building inventories because service is poor, then cutting inventories because costs are high, then building inventories again because service is poor again....

Here, the key is to understand that great customer service means keeping your promises to customers, but that these promises, the service intervals or order cycles, can and should be different from customer to customer and product to product. For nearly all customers, the most important need is to get what they plan on and expect. This is much more important than the cycle time, per se.

A second column, [Out-of-the-Box Customer Service](#), explained how leading companies are moving beyond tactical definitions of customer service to find powerful ways to make their customers more profitable. This was the breakthrough in the famous P&G–Wal-Mart relationship. For P&G, Wal-Mart's CFO became the prime customer, and P&G sold an amazing amount of new product by making it more profitable for Wal-Mart to carry and sell. The bottom line: Managers at different levels of your customer companies will have fundamentally different definitions of effective customer service. Even if you make the front-line managers happy, you may still lose the executive suite.

Customer service is the starting point and ending point for any effective account relationship. The key to success is clear thinking about what it feels like to walk in the customer's shoes. With careful analysis, you can nail customer service. But you better act fast, and nail it before your competitors do.

See you next month. 

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